

**WATER/FLC/ABJ:jrb****PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4450****January 8, 2004****R E S O L U T I O N**

**(RES. W-4450), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING THE USE OF SAFE DRINKING WATER BOND ACT FUNDS COLLECTED FROM CUSTOMERS VIA SURCHARGE, ON AN EMERGENCY BASIS, TO ENABLE AMWC TO PURCHASE WATER.**

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**SUMMARY**

By declaration of John W. Richardson, the court appointed Receiver for AMWC, AMWC requests authority to use the Safe Drinking Water Bond Act (SDWBA) funds collected from customers via surcharge, on an emergency basis, to purchase water which it cannot currently provide to its customers due to severe damage to its pumps and wells caused by the wildfires that occurred in San Bernardino County in late October, 2003. This resolution grants the request.

**BACKGROUND**

AMWC is a Class C water utility owned by the estate of the late Lance Johnson. In Decision (D.) 02-07-009, July 17, 2002 the Commission ordered the General Counsel to petition the Superior Court of San Bernardino County to appoint a receiver for the water system. On May 7, 2003 the Superior Court appointed John W. Richardson as the receiver. The order also established a strict protocol for collection of the SDWBA surcharge (which had been used by Mr. Johnson to defray operating expenses).

AMWC once provided service to approximately 560 customers in the unincorporated community of Cedar Glen and vicinity, one mile southeast of Lake Arrowhead, San Bernardino County. Wildfires that raged through San Bernardino County in late October, 2003, destroyed all but approximately 200

homes in the service area. The fire also destroyed much of AMWC's infrastructure, including pumping stations, storage tanks and water mains. As a result of the wildfires, AMWC has been unable to provide and deliver its own source of water supply to its customers. The only source of water available to AMWC since the fires has been through the purchase of water from the Crestline Lake Arrowhead Water Agency (CLAWA). Until the AMWC system can be repaired to the point where it can supply its customers with its own water supply, AMWC must rely solely on CLAWA as a water source.

In early December, 2003, CLAWA informed AMWC in writing that unless the utility paid its outstanding water bill of more than \$10,000 owed to CLAWA by December 19, 2003, CLAWA will cease providing water to AMWC.

## **DISCUSSION**

As mentioned above, water purchased from CLAWA is the only source of water now available to AMWC. The October 2003 wildfires destroyed the homes of more than one-half the customer base of AMWC, which has seriously diminished the utility's source of revenue. Additionally, surface water is considerably more expensive than ground water. For this reason, AMWC does not have sufficient funds to pay the outstanding \$10,000 water bill being demanded by CLAWA. If the outstanding bill is not paid, CLAWA will cease providing water to AMWC and the approximately 200 AMWC customers will not have water. The only immediate source of funds available to AMWC to pay the outstanding CLAWA bill is \$40,000 in SDWBA surcharge money collected from customers that would otherwise be deposited into a trust account for payment on the SDWBA loan. John Richardson has communicated AMWC's water supply dilemma to the Department of Water Resources (DWR), who service the loan, and DWR has agreed to allow AMWC to divert the SDWBA surcharge revenue, which has not yet been deposited into the required trust fund to pay CLAWA its outstanding water bill and to undertake necessary emergency repairs.

The Water Division (Division) has reviewed AMWC's request and believes that the wildfires of October 2003 have indeed created a dire situation within the AMWC system. In view of this, the Division supports AMWC's request to be allowed, on an emergency basis, to divert SDWBA surcharge funds that have been collected from customers and not yet deposited into the required trust fund to pay CLAWA its approximately \$10,000 outstanding bill and to undertake necessary emergency repairs.

## **NOTICE AND PROTESTS**

This resolution was mailed to the service list of D.02-07-009 on December 23, 2003. Public Utilities Code §1708 requires notice when rescinding, altering or amending a Commission order. The 30-day comment period should be shortened to 10 days as provided by § 311(g)(2) as this is an emergency situation. Parties to D.02-07-009 must protest within those ten days or they will be assumed to have stipulated to the 10-day notice period.

## **FINDINGS**

1. AMWC is a class C utility that is now in receivership.
2. The wildfires that occurred in San Bernardino County in late October, 2003 destroyed all but approximately 200 homes in the AMWC service area seriously diminishing the utility's source of revenue.
3. The wildfires also destroyed much of AMWC's infrastructure including pumping stations, storage tanks, and water mains resulting in the utility being unable to produce its own water sources and deliver it to its customers.
4. At the present time AMWC is totally reliant on CLAWA as a source of water supply.
5. CLAWA has informed AMWC that unless the utility pays the outstanding water bill in excess of \$10,000 that is owed to CLAWA, the agency will cease providing water to AMWC.
6. AMWC does not have funds available at this time to pay the outstanding CLAWA bill.
7. If CLAWA ceases providing water to AMWC, the utility customers will have no water in the immediate and near future.
8. The only immediate source of funds available to AMWC to pay the outstanding CLAWA bill is SDWBA funds collected from customers via surcharge that would otherwise be deposited in a trust account for payment on an existing SDWBA loan.
9. The emergency situation in this matter justifies shortening the notice and comment period required by Public Utilities Code Section 1708.

10. DWR has agreed to allow AMWC to divert SDWBA surcharge revenue, which has not yet been deposited into the trust fund account, to pay CLAWA the outstanding water bill and to undertake necessary emergency repairs.
11. To insure that AMWC customers continue to have water in the immediate and near future, AMWC should be allowed, on an emergency basis, to divert SDWBA surcharge funds collected from customers that have not yet been deposited the trust fund for payment on an existing SDWBA loan to pay CLAWA its outstanding water bill and to undertake necessary emergency repairs.

**THEREFORE IT IS ORDERED THAT:**

1. Arrowhead Manor Water Company, Inc. is authorized, on an emergency basis, to divert Safe Drinking Water Resources surcharge funds collected from customers that have not yet been deposited in the special trust account for payment on an existing SDWBA loan, to pay its outstanding bill owed the Crestline Lake Arrowhead Water Agency and to undertake necessary emergency repairs.
2. Due to the emergency situation in this matter, the notice and comment period shall be shortened to 10 days pursuant to Public Utilities Code Section 1708.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 8, 2003; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director